

AMENDED IN SENATE SEPTEMBER 2, 2015

AMENDED IN SENATE AUGUST 31, 2015

AMENDED IN SENATE JUNE 29, 2015

AMENDED IN ASSEMBLY APRIL 30, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 387

Introduced by Assembly Member McCarty

February 18, 2015

An act to amend Section 10290 of, *and to add Section Sections 10191.1 to, and to add and repeal Section 10191.5 of, 10191.5 to*, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 387, as amended, McCarty. Insurance: life and disability policies.

Existing law authorizes the Insurance Commissioner to promulgate, from time to time as conditions warrant, after notice and hearing, reasonable rules and regulations, and amendments and additions to those rules and regulations, as are necessary or advisable in order to establish and maintain a procedure for the filing and approval of specified documents prior to their issuance, delivery, or use in this state.

This bill would authorize the commissioner to develop and publish procedural requirements, guidelines, and standard insurance contract language for the purpose of streamlining and expediting the Department of Insurance's file review process for life and disability insurance forms. The bill would require an expanded cover letter to be used to clearly document and demonstrate compliance with those published standards, as specified, in order to expedite review. The bill would require the

department to make those published standards available on the department's Internet Web site, as specified.

Existing law provides various protections for consumers of annuity, life, disability income, and long-term care insurance products, such as the requirement that the recommendation of an insurer or an entity marketing an annuity or long-term care insurance product regarding the purchase of those products be based on suitability standards that are designed to ensure that the individual consumer's needs are met.

~~This bill would require the commissioner to advise and present recommendations to a request that a multistate regulatory support organization, which is authorized to organization commission and pay for an independent a study to examine and report on the extent to which consumer protections for annuity, life, disability income, and long-term care insurance products differ from uniform standards developed by the Interstate Insurance Product Regulation Commission, to the extent solicited, nonpublic funds are received for that purpose. Commission. The bill would prohibit the use of moneys from the General Fund or the Insurance Fund to carry out the study. The bill would authorize the commissioner to comment on the final study and would require the commissioner to submit the study to the Legislature, as specified, no later than January 1, 2017. The bill would repeal those provisions on January 1, 2021, specified, upon its completion.~~

Existing law provides for the licensing and regulation of disability insurers by the Department of Insurance. Existing law prohibits a disability policy from being issued until certain requirements are met. One of these conditions is if either (1) 30 days pass without notice from the Insurance Commissioner after a copy of the policy is filed with the commissioner; or (2) the commissioner gives written approval prior to the expiration of the 30 days.

This bill would increase that time period to 120 calendar days.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 10191.1 is added to the Insurance Code,
- 2 to read:
- 3 10191.1. (a) In order to streamline the department's file review
- 4 process for life and disability insurance forms, the commissioner
- 5 may develop and publish all of the following:

1 (1) Procedural requirements for file submission.

2 (2) Guidelines and checklists that list and interpret applicable
3 required and optional insurance statutes and regulations.

4 (3) Standard insurance contract language previously approved
5 by the department.

6 (b) Documented use of the published standards described in
7 paragraphs (1) to (3), inclusive, of subdivision (a) will enable the
8 department to expedite its review process. In order to expedite file
9 review, an expanded cover letter, in a format published by the
10 department, shall be used to clearly document and demonstrate
11 compliance with those standards.

12 (c) A publication developed pursuant to this section shall be
13 made available on a dedicated page of the department's Internet
14 Web site.

15 SEC. 2. Section 10191.5 is added to the Insurance Code, to
16 read:

17 10191.5. (a) (1) The commissioner shall ~~advise and present~~
18 ~~recommendations to a request that a~~ multistate regulatory support
19 ~~organization, which is authorized to~~ organization commission an
20 ~~independent a~~ study to examine and report on the extent to which
21 the uniform standards set forth in the Interstate Insurance Product
22 Regulation Compact developed by the Interstate Insurance Product
23 Regulation Commission provide consumer protections that are
24 equivalent to those established under state law for annuity, life,
25 disability income, and long-term care insurance products.

26 ~~(2) Notwithstanding any other provision of law, the independent~~
27 ~~study described in paragraph (1) is not a personal services contract~~
28 ~~as described in Section 19130 of the Government Code.~~

29 ~~(3)~~

30 (2) The ~~independent~~ commissioner's request for the study
31 described in paragraph (1) ~~shall~~, shall include a request that the
32 study be completed no later than January 1, 2017, and that the
33 study, to the extent feasible, highlight the substantive differences
34 between the uniform standards set forth in the Interstate Insurance
35 Product Regulation Compact and the statutory requirements under
36 state law for annuity, life, disability income, and long-term care
37 insurance products.

38 (b) (1) ~~Subject to paragraph (2), Upon completion of the study~~
39 ~~described in paragraph (1) of subdivision (a), the commissioner~~
40 shall submit the independent study described in paragraph (1) of

1 ~~subdivision (a) to the Chairpersons of the Assembly and Senate~~
2 ~~committees on insurance no later than January 1, 2017; insurance.~~
3 The study shall be submitted in compliance with Section 9795 of
4 the Government Code.

5 (2) The commissioner may review and approve the final study
6 prior to its submission to the Legislature. *Legislature, and submit*
7 *written comments on the results of the study to the Legislature*
8 *when submitting the study to the Legislature pursuant to paragraph*
9 *(1).*

10 (c) ~~The independent study described in paragraph (1) of~~
11 ~~subdivision (a) shall be commissioned and paid for by a multistate~~
12 ~~regulatory support organization, subject to the advice and~~
13 ~~recommendations of the commissioner. This section shall be~~
14 ~~implemented only to the extent that solicited, nonpublic funds are~~
15 ~~received and made available for the commission of the independent~~
16 ~~study. No moneys from the General Fund or the Insurance Fund~~
17 ~~may be used to implement this section.~~

18 (d) ~~This section shall remain in effect only until January 1, 2021,~~
19 ~~and as of that date is repealed, unless a later enacted statute, that~~
20 ~~is enacted before January 1, 2021, deletes or extends that date.~~

21 SEC. 3. Section 10290 of the Insurance Code is amended to
22 read:

23 10290. A disability policy shall not be issued or delivered to
24 any person in this state until both of the following conditions are
25 met:

26 (a) A copy of the form thereof and, if more than one class of
27 risks is written, of the classification of risks, and the premium rates
28 pertaining thereto are filed with the commissioner.

29 (b) Either of the following occurs:

30 (1) One hundred twenty calendar days expire without notice
31 from the commissioner after the copy is filed.

32 (2) The commissioner gives his or her written approval prior to
33 that time.